



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 27, 2008

NATURAL GAS MARKET NEWS

Maintenance work at the Independence Hub natural gas production platform in the Gulf of Mexico has been completed and volumes were ramping up on Friday, a spokesman for the platform's majority owner, Enterprise Products Partners, said. On Thursday, energy traders said Independence Hub flows were reduced to about 250 mmcf/d from its recent ramp-up to near capacity at about 900 mmcf/d.

US natural gas producers are drilling wells previously deemed too costly and resuming production at abandoned fields from Appalachia to the Rockies, in light of the rally in prices. Devon Energy Corp and Range Resources Corp are drilling horizontal wells that cost three times as much as traditional vertical shafts to produce gas that were unprofitable to exploit before this year's 75% gain by gas futures. New drilling projects will increase US gas supplies in 2009 by 3.6%, the largest increase since 1994.

Industry pundits said the US could see an increase in liquefied natural gas imports this summer as high domestic gas prices make it a more competitive destination. So far this year, LNG shipments to the US have totaled 1 bcf/d or 30 bcf/month, down 60% from the 2.56 bcf shipped during the same six month period in 2007. US LNG imports in July are estimated at about 43 bcf, up 13% from June.

The Department of Commerce on Thursday issued a decision overriding the State of Maryland's objection to the AES Sparrows Point LLC proposal for a 1.5 bcf/d LNG receiving terminal and pipeline east of the Port of Baltimore. It also upheld the Commonwealth of Massachusetts' objection to a Weaver's Cove Energy LLC proposal for an LNG facility and associated pipeline near Fall River, MA.

Under new rules for reserves evaluation proposed by the US Securities and Exchange Commission, companies would be allowed to disclose probable and possible reserves and add coalbed methane and shale gas to their reserves.

PIPELINE MAINTENANCE

ANR Pipeline Company, a subsidiary of TransCanada, said that it will continue unplanned engine repairs at various stations along the SE Mainline in ANR's Southeast Central Fuel Segment. The total SEML capacity will

Generator Problems

MAAC—The U.S. Nuclear Regulatory Commission, in its daily plant status report, said that Entergy Corp's 685-Mw Pilgrim nuclear power station in Massachusetts returned to full power as of early Friday. The unit was reduced to about 50% capacity for short-term planned maintenance.

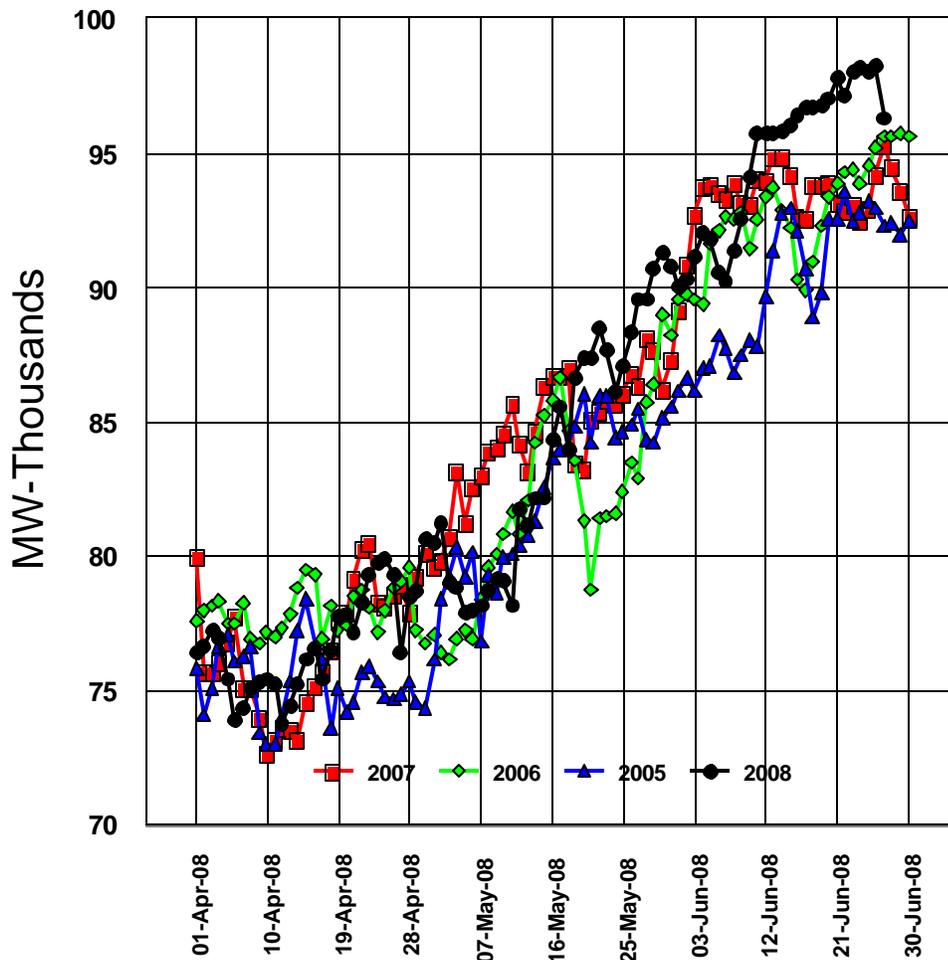
SERC — Duke Energy Corp's 1,100-Mw McGuire 1 nuclear power unit in North Carolina was shut as of early Friday, the U.S. nuclear Regulatory Commission said in its daily power reactor status report. According to a company event notification report, the loss of a reactor coolant pump caused the unit to automatically trip offline late Thursday.

Entergy Corp's 967-Mw River Bend nuclear power reactor in Louisiana was reduced to 18% power as of early Friday, the U.S. Nuclear Regulatory Commission said. On Thursday, the unit was operating at full capacity.

ERCOT — Luminant's 545-Mw Unit 4 at the Sandow coal fired power station in TX will be shut late Friday for a scheduled outage, the company told TX regulators in a report. The unit is expected back in service early Saturday. The unit was shut on about June 17 to fix a boiler tube leak and returned last weekend.

The NRC reported that 96,343 Mw of nuclear capacity is online, down 1.96% from Thursday and up 2.93% on the year.

Daily U.S. Nuclear Power Generation



be reduced by 330-mmcf/d through today and by 280-MMcf/d from June 28 - July 7. Based on current nominations, it is anticipated that the above reductions may result in the curtailment of IT and Firm Secondary nominations.

PIPELINE

RESTRICTIONS

Florida Gas Transmission said Its Overage Alert Day will continue at 25% tolerance as 90-degree weather is forecasted in Florida today and linepack is lower.

ELECTRIC MARKET NEWS

The EIA reported that U.S. coal production totaled approximately 21.0 million short tons during the week ending June 21. This production estimate is 1.1 percent lower than the estimate reported for the comparable week in 2007.

Genscape's US coal

burn index was flat for the week ending June 26 at 21.22. The index was down 6% nationally compared with the same week last year.

FPL Group Inc plans to build a wind project in North Dakota as it seeks to increase development of renewable energy. The project would provide up to 1,000 Mw to the power grid. The company said it plans to file an application around July 1, 2009, with the hope of having a permit issued by May 1, 2010. The project would be completed in phases starting as soon as June 1, 2010 and ending around December 31, 2012.

Market Commentary

Unlike previous Fridays when the natural gas market has posted inside trading days, the natural gas market traded higher in early trading on Globex amid the rally in the crude market. The market breached a double top at \$13.385 as it posted a high of \$13.428, a 30 month high for a spot contract. The natural gas market however pared its gains and settled in a mostly sideways trading range during most of the session. It later sold off to a low of \$13.187 on profit taking and settled down 5 cents at \$13.198. The market erased its early gains as the crude market sold off and weather reports continued to provide little support to the market. The 814 day weather forecast continues to show normal to below normal temperatures for much of the country, except for above normal temperatures in parts of the eastern coast and western third of the country.

The Commitment of Traders report showed that non-commercials in the natural gas market continued to add to their net short position by 1,935 contracts to 75,334 contracts in the week ending June 24th. The combined futures and options report showed that non-commercials in the crude market increased their net short position by 2,189 contracts on the week to a new record level of 264,002 contracts. However the non-commercials have likely cut their net short positions in the last few trading sessions as the market bounced off its low amid the strength in the oil market.

The natural gas market next week will likely remain on the defensive amid the milder outlook and the expected fall in industrial demand ahead of the 4th of July holiday. The market is seen finding support at \$13.187, \$13.114, \$13.03, \$12.873

and its previous low of \$12.628. Resistance is seen at \$13.30, \$13.355, \$13.428 and \$13.455. More distant resistance is seen at \$13.512 and \$13.596.

